Norms for "Vanished Company"

2030. SHRI CO. POULOSE: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) the number of cases reported about the companies, which vanished after mobilizing money from the investors through public issues in the country during the last three years;

(b) whether the Department of Company Affairs has prescribed any norms for declaring a company as a 'vanished company";

(c) if so, the details thereof;

(d) whether the Government have inquired about the veracity of such companies at the time of its listing in the capital market for public issues; and

(e) if so, what steps are taken by Government to avoid the hardships of the investors in future?

THE MINISTER • OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): (a) No such case has been reported/noticed during the last three years.

(b) and (c) A Central Coordination and Monitoring Committee, co-chaired by Secretary, Department of Company Affairs (DCA) and Chairman, SEBI had adopted the following criteria for identifying 'vanishing' companies:

(i) does not comply with the listing requirements for two years (listing requirements include filing of annual return and balance sheet) with respective Stock Exchange/ROCs.

(ii) does not submit the required reports to Regional Stock Exchange.

(iii) does not correspond with regional Stock Exchange for two years.

(iv) is not available at its Registered Office at the time of Stock Exchange inspection.

(d) The companies proposing to bring out public issues have to comply with SEBI Disclosure & Investor Protection (DIP) Guidelines

which *inter alia* provide for mandatory appointment of a Merchant Banker, who carries out due diligence of the proposed issue, disclosure about the project, background of promoters, etc. In addition, for listing their shares on Stock Exchanges, the companies have to comply with all the requirements of the listing agreement including the provisions relating to continuous disclosure.

(e) The field offices of DCA have taken action against such companies for violation of the provisions of the Companies Act. 1956. Moreover, since December 2001,117 prosecutions have been launched all over the country under sections 62/63, 68 and 628 of the Companies Act. Offences under these sections carry punishment of imprisonment. SEBI has debarred 92 companies and 352 directors u/s 11B of the SEBI Act from raising money from the Capital Market in any form, for a period of five years.

Financial Bungling in DAV Schools/Colleges

2031. SHRI RUMANDLA RAMACHANDRAIAH: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government's attention has been drawn to the newsitem appearing in Punjab Kesri Delhi (Hindi) edition dated the 14th November, 2002 regarding gross irregularities and financial bungling in DAV Schools/Colleges;

(b) if so, whether any inquiry has been made by Government to establish facts;

(c) if so, what is the outcome thereof stating the estimated loss in terms of Income Tax suffered by Government during the last three years or so; and

(d) what action has been taken/is proposed to be taken by Government in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI GINGEE N. RAMACHANDRAN): (a) Yes, Sir.

(b) to (d) The Income-tax returns filed by DAV Managing Committee for the last three Assessment Years have been taken up for Scrutiny.